

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET-DOMINANT PRICE CHANGE

Docket No. R2023-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**  
(October 20, 2022)

The United States Postal Service hereby provides its responses Chairman's Information Request No. 1, issued on October 13, 2022. Each question is stated verbatim and is followed by its response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**USPS Marketing Mail**

1. As required by the Commission in the FY 2010 *Annual Compliance Determination*,<sup>1</sup> please provide:
  - a. A schedule of future above-consumer price index price increases for USPS Marketing Mail Flats;
  - b. An explanation of how the proposed prices will move the USPS Marketing Mail Flats cost coverage toward 100 percent; and
  - c. A statement estimating the effect that the proposed prices will have in reducing the subsidy of the USPS Marketing Mail Flats product.

**Response:**

- a. It is not practical for the Postal Service to provide such a schedule. The Postal Service acknowledges the Commission's decision in Order No. 5937 (at pages 95–96), where the Commission held that these directives from the FY 2010 Annual Compliance Determination are not superseded by the subsequent adoption of mandates for price adjustments of 2 percentage points above the class-average price adjustment. The Postal Service similarly recognizes the Commission's reasoning (*i.e.*, that the Postal Service retains discretion to employ an even greater differential than required under 39 C.F.R. § 3030.221). However, discretion to approve price adjustments rests with the Postal Service Governors, whose responsibility to adopt reasonable and equitable prices entails accounting for circumstances that may exist at the time of a price adjustment.

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<sup>1</sup> Docket No. ACR2010, *Annual Compliance Determination*, March 29, 2011, at 107.

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The Postal Service is not in a position to predict future circumstances, let alone to set expectations about future price adjustments that have not yet been decided by the Governors. The Postal Service is committed to complying with the requirements of 39 C.F.R. § 3030.221, but it is unable to comment on the use of its discretionary pricing authority beyond the R2023-1 price case.

b. – c. It is expected that the Postal Service's required price increases in compliance with 39 C.F.R. § 3030.221 will both move USPS Marketing Mail Flats cost coverage closer to 100 percent and reduce intra-class subsidies, as those expectations were the very rationale for the Commission's adoption of that rule. Order No. 5763 at 186–87; Order No. 5337 at 157–61; Order No. 4258 at 78–80. Any discretionary use of pricing authority by the Postal Service beyond what is required under § 3030.221 would go still farther toward fulfilling the Commission's aims.

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2. In its proposed changes to the Mail Classification Schedule (MCS), the Postal Service proposes to add workshare discounts for 3-Digit and 5-Digit (Automation and Nonautomation) flats on sectional center facility (SCF) pallets for the USPS Marketing Mail Flats product. Notice, Attachment A at 77. Please confirm that the heading *Containerization Discounts* should be added above the workshare discounts' description in the MCS. See, e.g., *id.* at 52, 61. If not confirmed, please explain.

**Response:**

Confirmed.

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3. In its proposed changes to the MCS, the Postal Service proposes to add “or 5-Digit Scheme” to the language describing various containerization workshare discounts previously approved by the Commission. *See id.* at 46, 52, 57, 61.
  - a. Please explain the Postal Service’s rationale for these proposed changes.
  - b. Please confirm that the Postal Service’s proposed changes do not reflect a change in the types of containers to which the Postal Service will be offering these containerization workshare discounts. If not confirmed, please explain.
  - c. Please describe the differences, if any, in terms of preparation and processing between 5-Digit containers and 5-Digit Scheme containers.

**Response:**

- a. The reason for adding ‘or 5-Digit Scheme’ was to provide additional clarity.
- b. Confirmed.
- c. There are no salient differences in the processing and preparation of 5-Digit containers compared to 5-Digit Scheme containers. A 5-Digit container is a 5-Digit Scheme container that contains one and only one 5-Digit zone. 5-Digit Scheme containers are prepared when multiple 5-Digit zones are processed together in the same operation.

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4. Please provide an explanation of the meaning of the "Ask for % change" note in cells E139 and E141 of Library Reference USPS-LR-R2023-1/2, October 7, 2022, Excel file "CAPCALC-USPSMM-R2023-1.xlsx," tab "Current Price."

**Response:**

This was an internal reminder to staff made during the preparation of the R2023-1 library references, inadvertently not deleted before submission. The reminder is no longer of any significance and may be safely ignored. The Postal Service apologizes for the inconvenience.

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5. Please refer to Attachment A to the Notice, in which the description of Carrier Route Letters specifies “Carrier Route letter-shaped pieces that weigh more than 3.5 ounces, but not more than 4.0 ounces, must pay the prices shown in the ‘Carrier Route Flats (4.0 ounces or less)’ price table (1215.6)” and “Carrier Route letter-shaped pieces that weigh more than 4.0 ounces must pay the per piece and per pound prices shown in the ‘Carrier Route Flats (greater than 4.0 ounces)’ price tables (1215.6).” Notice, Attachment A at 58-59. Please also refer to Library Reference USPS-LR-R2023-1/2, Excel file “CAPCALC-USPSMM-R2023-1.xlsx,” tab “New Price,” cells A19:F29 and O19:T29.
- a. Please confirm the language in the MCS should refer to price tables in both sections 1210.6 and 1215.6. If confirmed, please provide any changes needed to be made to Attachment A to the Notice in legislative format.
  - b. If part a. is not confirmed, please specify where the Saturation, High Density, and High Density Plus rates in cells A19:F29 and O19:T29 of Excel file “CAPCALC-USPSMM-R2023-1.xlsx,” tab “New Price” can be found in the MCS and provide any changes needed to be made to Attachment A to the Notice in legislative format.

**Response:**

- a. Not confirmed.
- b. Saturation, High Density, and High Density Plus rates in cells A19:E29 and O19:S29 of Excel file “CAPCALC-USPSMM-R2023-1.xlsx,” tab “New Price” can be found in the MCS in Section 1210.6. Section 1215.6 relates exclusively to columns F and T (rows 19 through 29).

**Periodicals**

6. Please refer to Library Reference USPS-LR-R2023-1/3, October 7, 2022, Excel file "USPS-CAPCAL-PER-R2023-1.xlsx," tab "Outside County Adjustments."
  - a. Please confirm the removal of volumes associated with area distribution center (ADC) Sack Bundles, 3-Digit/SCF Sack Bundles, and 5-Digit Sack Bundles in rows 67:72, 78:82, and 87:90.
  - b. If volumes are completely removed, please confirm that the billing determinants would be zero in cells C68:72, C79:82, and C88:90 and that there would not be associated current prices in cells D68:72, D79:82, and D88:90 or new prices in cells F68:72, F79:82, and F88:90.
  - c. If parts a. and b. are not confirmed, please explain whether a portion or all volumes will migrate to another rate cell or cells and confirm that Excel file "USPS-CAPCAL-PER-R2023-1.xlsx," tab "Outside County Adjustments" presents the volumes in rows 67:72, 78:82, and 87:90 as migrating to rows 56:60.
  - d. If part c. is confirmed, please provide the Postal Service's rationale for this migration.
  - e. If part c. is confirmed, please confirm that the current prices in cells D68:72, D79:82, and D88:90 should match the associated prices in cells D62:66, D74:77, and D84:86, not the prices in cells D56:60 as presented. If not confirmed, please explain.
  - f. If any of the responses to parts a.-e. necessitate revisions to Excel file "USPS-CAPCAL-PER-R2023-1.xlsx" or any other supporting document, please file a revised version of Excel file "USPS-CAPCAL-PER-R2023-1.xlsx" or any other supporting document as needed.



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**Response:**

- a. Not confirmed. The Sack Bundles made up of Flats associated with ADC, 3-Digit/SCF, and 5-Digit were moved under mixed ADC Presort, however, Sacks Bundles made up of Parcels have not been moved out, as they will still be accepted at all entry points.
- b. The volumes were not completely removed. Instead, Sacks Bundles made up of Flats have moved to the Mixed ADC container. They are removed from the associated presort Sack container and this volume is treated as if they were in the MADC container. Hence, mailers would pay the price associated with the MADC container price. Sacks Bundles made up of Parcels have not been removed, as they will still be accepted at all entry points.
- c. The portion of the Bundle volume in Sacks rows 67:72, 78:82 and 87:90 (ADC Sacks, 3-Digit/SCF Sacks, and 5-Digit/Carrier Route Sacks) has migrated to rows 56:60 (Mixed ADC Sack or Pallet).
- d. The Postal Service is discontinuing the use of origin-entered Sacks. For the past decade, the Postal Service has discouraged the use of Sacks. Sacks are expensive to maintain, difficult to process, and result in higher rates of Bundle breakage. The Postal Service has raised the Sack minimums, introduced the Mixed Pallet, and increased Sack prices to encourage customers to use alternatives to Sacks. In FY2021 less than 7 percent of Periodicals Outside-County mail was entered in Sacks. Origin-entered mail that is neither palletized nor prepared in tubs will be dumped, sorted at the origin facility, and worked in

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the same manner as mail presented in Mixed containers. Hence the Bundle sortation level for these Bundles will become MADC. This processing flow will be more efficient than manually sorting Sacks through the network.

- e. The Postal Service believes that separating the elimination of Sacks from the price adjustment provides a clearer understating of the impact of the price adjustments. Elimination of Sacks is a necessary change in preparation standards to improve processing efficiency and is independent of price adjustments. Under the improved standards, Bundles in origin Sacks will not exist, nor will prices for the discontinued preparation. Comparing the before-rates revenues under the improved preparation standards to the after-rates revenues under the same preparation standards provides a clean comparison of the price adjustment. This process was also applied to Sacks where Sacks as a container were eliminated in the before-rates scenario, reflecting the new state.
- f. The foregoing responses do not necessitate any revision to Excel file "USPS-CAPCAL-PER-2023-1.xlsx" or any other document.

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7. Please refer to Library Reference USPS-LR-R2023-1/3, Excel file "USPS-CAPCAL-PER-R2023-1.xlsx," tab "Outside County Adjustments."
- a. Please confirm that the volume associated with Sacks in cells J92:116 will be removed and will not migrate to another rate cell or cells. If not confirmed, please explain.
  - b. Please explain how this change will impact the volume of Sacks Bundles in cells C54:90.

**Response:**

- a. Confirmed.
- b. Please see the Postal Service's response to question 6.

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8. The Postal Service states “to improve the operational efficiency for processing of bundles at different presort levels in sacks, the Postal Service is proposing to move the bundles volume in sacks entered at Origin, DNDC, and DADC to presort in MADDC containers entered at Origin with container fee waived.” Notice at 23.
- a. Please confirm that these Bundles will no longer be presented in Sack containers. If confirmed, please explain how these Bundles will be presented. If not confirmed, please explain.
  - b. Please discuss whether Bundles currently presented on Pallets will also be able to access these rates.

**Response:**

- a. Confirmed. Bundles prepared in origin Sacks can be presented on MADDC Pallets, in tubs, or decontainerized and placed in mail transport equipment at the BMEU provided by the Postal Service. Sacks containing Parcels will continue to be accepted at all entry levels.
- b. Bundles presented on Pallets will not be affected by this change.

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9. Please refer to Library Reference USPS-LR-R2023-1/3, Excel file "USPS-CAPCAL-PER-R2023-1.xlsx," tab "Nonprofit BD FY21Q4-FY22Q3."
- a. Please confirm that cell G171 should sum cells C171:F171 instead of C171:E171. If not confirmed, please explain.
  - b. Please confirm that cell G172 should sum cells C172:F172 instead of C172:E172. If not confirmed, please explain.
  - c. Please confirm that cell G173 should sum cells C173:F173 instead of C173:E173. If not confirmed, please explain.
  - d. If any of the responses to parts a.-c. necessitate revisions to Excel file "USPS-CAPCAL-PER-R2023-1.xlsx" or any other supporting document, please file a revised version of Excel file "USPS-CAPCAL-PER-R2023-1.xlsx" or any other supporting document as needed.

**Response:**

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. A revised version of Excel file "USPS-CAPCAL-PER-R2023-1" is attached. To make the prices work under the cap, an adjustment to the 3-Digit/SCF Bundle price under Mixed ADC container (from \$0.885 to \$0.884) was also necessary.